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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 21, 1999

APPLICATION OF

COMMONWEALTH PUBLIC SERVICE
CORPORATION

CASE NO. PUE990438

For a general increase in
rates and revision in tariffs

FINAL ORDER

On June 29, 1999, Commonwealth Public Service Corporation ("Commonwealth" or "the Company") filed an application for a general increase in rates and to revise its tariffs. In its application, Commonwealth proposed to increase its gross annual revenues by an additional \$36,547, which it proposed to make effective, subject to refund, for services rendered on and after July 29, 1999. The Company proposed to put its rates in effect using MCF billing with a BTU normalization adjustment and to start therm billing after its rates became final¹. Commonwealth

¹ The prefiled testimony of Company witness Dale P. Moore explained:

The Final Order rates using therm billing determinants will only be implemented on a prospective basis. However, if the parties in this proceeding are able to agree on the issue of movement to therm billing prior to the end of the 150-day suspension period and the risk of implementing rates on a therm basis and then refunding on an MCF basis is relatively small, then the Company would like to implement therm billing at the end of the suspension period.

filed financial and operating data, using a test period consisting of the twelve months ending March 31, 1999.

In its July 16, 1999, Preliminary Order, the Commission docketed the application and suspended the Company's proposed rates and tariff revisions to and through November 26, 1999. On July 23, 1999, the Commission entered its procedural order appointing a Hearing Examiner, setting the matter for hearing on November 22, 1999, and establishing a procedural schedule for the filing of comments, pleadings, testimony and exhibits by the Company, Protestants, Staff, and other interested persons.

On November 18, 1999, the Staff, on behalf of itself, the Company, and the Division of Consumer Counsel, Office of the Attorney General ("AG"), filed a Motion for Leave to File Stipulation, together with a written Stipulation ("Stipulation"). This Stipulation resolved all of the issues in the case.

On November 22, 1999, the matter was heard by Michael D. Thomas, Hearing Examiner. No public witnesses appeared at the hearing.

During the hearing, by agreement of all counsel, the testimony prefiled by the Company and Staff was received into the record without benefit of cross-examination. At the hearing, the Company requested that it be permitted to place its revised rates set out in the Stipulation in effect, under bond,

and subject to refund, with interest. The Company, by counsel, tendered the Company's bond for filing.

On November 22, 1999, the Hearing Examiner entered a Ruling that accepted the Company's bond for filing, and directed the Company to keep accurate accounts of all amounts received under the increased rates, effective for service rendered on and after November 27, 1999. The Examiner also granted the Company's Motion to implement the rates set out in the Stipulation, adjusted by the appropriate purchased gas adjustment ("PGA") filing, effective for service rendered on and after November 27, 1999.

On December 1, 1999, the Hearing Examiner issued his Report in this matter. In his Report, the Hearing Examiner found that the proposed \$36,547 increase in additional gross annual revenue as well as the rates set out in the Stipulation and Exhibits 1 and 2 thereto were reasonable and should be approved by the Commission. He also found that the tariff revisions set forth in the Stipulation were reasonable, noting that the proposed Distribution System Renewal ("DSR") Surcharge, as modified by the Stipulation, contained the same safeguards approved by the Commission's September 15, 1999, Final Order in Application of Roanoke Gas Company, For general increase in rates and to revise its tariff, Case No. PUE980626, Document Control Center No. 990920139.

The Hearing Examiner observed that the rate design set out in the Stipulation followed the Staff's proposed rate design which decreased the impact of the rate increase on the Company's minimum use customers and that the tariff revisions in the Stipulation satisfied the Company's desire to conform its tariff with that of Roanoke Gas Company's tariff. The Hearing Examiner recommended that the Commission enter an order adopting the findings of his Report, and approving the proposed revenue increase, rates, and tariff revisions set forth in the Stipulation and Exhibits 1 and 2 thereto. He invited the parties to file comments in response to his Report within fifteen (15) days from the date of the Report.

By letters dated December 13, 14, and 15, 1999, respectively, the Staff, by counsel, the Company, and the Division of Consumer Counsel, Office of the Attorney General advised the Commission that they would not be filing comments in response to the Hearing Examiner's Report. No comments to the December 1, 1999, Hearing Examiner's Report were filed by any other interested person.

NOW, UPON consideration of the Company's application, the record herein, the December 1, 1999, Hearing Examiner's Report, and the applicable law, the Commission is of the opinion and finds that the findings and recommendations of the Hearing Examiner's December 1, 1999, Report, together with the proposals

and recommendations of the parties, as set out in the Stipulation (Attachment A hereto) are supported by the record and should be adopted. We further find that the Company should implement the rates and apportion its revenues in accordance with the proposals set out in the Stipulation. We commend the parties on their diligence in resolving the myriad issues presented in this case.

Accordingly, IT IS ORDERED THAT:

(1) The findings and recommendations set out in the Hearing Examiner's December 1, 1999, Report are adopted.

(2) The proposals and recommendations set out in the Stipulation (Attachment A hereto) are adopted and incorporated in this Order by attachment of said Stipulation hereto.

(3) The Company shall be granted an increase in gross annual revenues of \$36,547, effective for service rendered on and after November 27, 1999.

(4) The Company shall forthwith file revised permanent schedules of rates and charges designed to produce the additional revenues found reasonable herein. The final increase in revenues shall be recovered through the rates filed as part of the Stipulation, attached as Attachment A hereto, and reflecting the therm billed rates, shown on Exhibit 2, as adjusted for the appropriate PGA costs.

(5) The Company shall implement the accounting, booking, cost of capital, revenue apportionment, and rate design recommendations set out in Exhibits 1 and 2 to Attachment A and shall conform to all other recommendations found in the Stipulation, including those relating to the Company's funding of post-retirement benefits other than pensions ("OPEB") costs recovered through rates since the Company's implementation of SFAS 106 on October 1, 1993.

(6) The DSR Surcharge shall be implemented as described in Attachment A hereto.

(7) The Company's PGA filing shall be calculated on the same calendar basis as Roanoke Gas Company's PGA filing. However, Commonwealth's PGA calculation shall be based solely on Commonwealth's data.